

AUDITING PROCEDURES REPORT

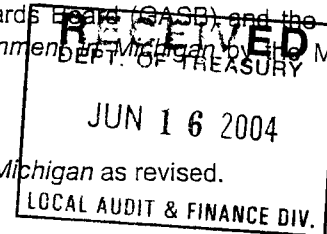
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Local Government Type <input type="checkbox"/> City <input checked="" type="checkbox"/> Township <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name Orange Township	County Kalkaska
Audit Date March 31, 2004	Opinion Date May 14, 2004	Date Accountant Report Submitted to State: June 14, 2004	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the Uniform Reporting Format for Financial Statements for Counties and Local Units of Government promulgated by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.




We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ yes ☒ no 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ yes ☒ no 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ yes ☒ no 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ yes ☒ no 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ yes ☒ no 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ yes ☒ no 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ yes ☒ no 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ yes ☒ no 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ yes ☒ no 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	X		
Reports on individual federal financial assistance programs (program audits).			X
Single Audit Reports (ASLGU).			X

Certified Public Accountant (Firm Name) Harris Group, Certified Public Accountants			
Street Address 1107 E. 8th Street	City Traverse City	State MI	ZIP 49686
Accountant Signature 			

**TOWNSHIP OF ORANGE
KALKASKA COUNTY, MICHIGAN
GENERAL PURPOSE FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
YEAR ENDED MARCH 31, 2004**

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Certified Public Accountants

Independent Auditor's Report

Members of the Township Board
Orange Township
Kalkaska County, Michigan

We have audited the accompanying general-purpose financial statements of the Township of Orange, Kalkaska County, Michigan, as of March 31, 2004 and for the year then ended, as listed in the table of contents. These general purpose financial statements are the responsibility of the Township of Orange's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the Township of Orange, Kalkaska County, Michigan, as of March 31, 2004 and the results of its operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was conducted for the purposes of forming an opinion on the general purpose financial statements taken as a whole. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the general purpose financial statements of the Township of Orange, Kalkaska County, Michigan. Such information has been subject to the auditing procedures applied in the audit of the general purpose financial statements and, in our opinion, is fairly presented in all material respects in relation to the general purpose financial statements taken as a whole.

Harris Group

May 14, 2004

**TOWNSHIP OF ORANGE
COMBINED BALANCE SHEET
ALL FUND TYPES AND ACCOUNT GROUP
YEAR ENDED MARCH 31, 2004**

	<u>Governmental Fund Type</u>	<u>Fiduciary Fund Type</u>	<u>Account Group General Fixed Assets</u>	<u>Total (Memorandum Only)</u>
ASSETS	<u>General</u>	<u>Agency</u>		
Cash	\$ 323,512	\$ 36	\$	\$ 323,548
Taxes receivable	7,310			7,310
Due from other funds	36			36
Due from state	11,220			11,220
Due from others	12			12
Land and land improvements			112,738	112,738
Buildings			30,552	30,552
Equipment			10,518	10,518
TOTAL ASSETS	<u>\$ 342,090</u>	<u>\$ 36</u>	<u>\$ 153,808</u>	<u>\$ 495,934</u>
LIABILITIES & FUND EQUITY				
LIABILITIES:				
Due to other funds	\$	\$ 36	\$	\$ 36
Due to other governmental units				
TOTAL LIABILITIES		<u>36</u>		<u>36</u>
FUND EQUITY:				
Investment in general fixed assets			153,808	153,808
Fund balances:				
Unreserved:				
Undesignated	<u>342,090</u>			<u>342,090</u>
TOTAL FUND EQUITY	<u>342,090</u>		<u>153,808</u>	<u>495,898</u>
TOTAL LIABILITIES & FUND EQUITY	<u>\$ 342,090</u>	<u>\$ 36</u>	<u>\$ 153,808</u>	<u>\$ 495,934</u>

The accompanying notes are an integral part of these statements.

TOWNSHIP OF ORANGE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
ALL GOVERNMENTAL FUND TYPES
YEAR ENDED MARCH 31, 2004

	Governmental Fund Type
	General
REVENUES:	
Property taxes	\$ 43,883
Other taxes	1,019
State revenue sharing	86,629
Interest	5,175
Miscellaneous	8,952
	<hr/>
TOTAL REVENUES	145,658
	<hr/>
EXPENDITURES:	
Legislative:	
Township Board	17,694
General government:	
Supervisor	20
Elections	109
Assessor	11,641
Clerk	2,808
Board of Review	759
Treasurer	4,414
Building and grounds	36,260
Cemetery	7,174
Unallocated	2,327
Public safety:	
Fire protection	21,218
Refuse collection	7,319
Public works:	
Highways and streets	43,849
Health and welfare:	
Health	207
Recreation	
Other:	
Social security and fringes	2,864
Insurance	2,356
	<hr/>
TOTAL EXPENDITURES	161,019
	<hr/>
Excess of revenues over expenditures	(15,361)
	<hr/>
FUND BALANCE, beginning of year	357,451
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FUND BALANCE, end of year	\$ 342,090
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The accompanying notes are an integral part of these statements.

TOWNSHIP OF ORANGE
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL -
GENERAL FUND
YEAR ENDED MARCH 31, 2004

	General Fund		
	Budget	Actual	Over (Under) Budget
REVENUES:			
Property taxes	\$ 23,048	\$ 43,883	\$ 20,835
Other taxes	354	1,019	665
State revenue sharing	80,000	86,629	6,629
Interest	6,500	5,175	(1,325)
Miscellaneous	2,300	8,952	6,652
TOTAL REVENUES	112,202	145,658	33,456
EXPENDITURES:			
Legislative:			
Township Board	20,000	17,694	2,306
General government:			
Supervisor	300	20	280
Elections	3,000	109	2,891
Assessor	15,000	11,641	3,359
Clerk	13,000	2,808	10,192
Board of Review	2,500	759	1,741
Treasurer	5,000	4,414	586
Building and grounds	43,000	36,260	6,740
Cemetery	20,000	7,174	12,826
Unallocated	71,702	2,327	69,375
Public safety:			
Fire protection	24,000	21,218	2,782
Refuse collection	15,000	7,319	7,681
Public works:			
Highways and streets	50,000	43,849	6,151
Health and welfare:			
Health	2,000	207	1,793
Recreation	200		200
Other:			
Social security and fringes	4,000	2,864	1,136
Insurance	3,500	2,356	1,144
TOTAL EXPENDITURES	292,202	161,019	131,183
Excess of revenues over expenditures	<u>\$ (180,000)</u>	<u>(15,361)</u>	<u>\$ 164,639</u>
FUND BALANCE, beginning of year		<u>357,451</u>	
FUND BALANCE, end of year		<u>\$ 342,090</u>	

The accompanying notes are an integral part of these statements.

**TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS**

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Township of Orange (Township), Kalkaska County, Michigan, conform to generally accepted accounting principles (GAAP) as applicable to government units.

Basis of Presentation

The financial activities of the local unit are recorded in separate funds and account groups, categorized and described as follows:

Governmental Fund

General Fund

This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state and federal distributions, grants, and other intergovernmental revenues.

Fiduciary Fund

The Current Tax Collection Fund is used to account for assets held as an agent for others.

Account Group

General Fixed Assets Account Group

This account group presents the fixed assets of the local unit utilized in its general operations.

Scope of Reporting Entity

In accordance with the provisions of the Governmental Accounting Standards Board's Statement No. 14 "The Financial Reporting Entity," the general purpose financial statements contain all funds and account groups that are controlled by or dependent on the Township's executive or legislative branches.

Basis of Accounting

The general purpose financial statements have been prepared using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized in the year in which they become available and measurable, and expenditures are recognized in the year in which the liability is incurred.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Cash and investments

The Township reports its investments in accordance with GASB Statements No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, such as certificates of deposit, and the district intends to hold the investment until maturity.

State statutes authorize the Township to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, saving and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or Nation Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which mature not more than 270 days after the date of purchase. The Township is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

Property Taxes

Property taxes and other revenue that are both measurable and available for use to the finance operations are recorded as revenue when earned.

Properties are assessed as of December 31 and the related property taxes become a lien on December 1 of the following year. These taxes are due on February 14 with the final collection date of February 28 before they are added to the county tax rolls. The 2003 Township tax roll general millage rate was .8905 mills. The Township also levies 1.0 mills for fire protection. The taxable value was \$23,120,767.

Fixed Assets

Purchases of fixed assets for all funds are recorded as expenditures in their respective funds at the time of purchase. They are also recorded at cost in the General Fixed Assets Group of Accounts as required by generally accepted accounting principles.

Inventories

Inventories of supplies are considered to be immaterial and are not recorded.

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – continued

Budgets and Budgetary Accounting

The following procedures are followed in establishing the budgetary data reflected in these general purpose financial statements:

1. Prior to the beginning of the fiscal year, the proposed budget for each budgetary fund is submitted to the Township Board for consideration.
2. The proposed budgets include expenditures as well as the methods of financing them.
3. Public hearings are held to obtain taxpayer comments.
4. The budgets are adopted by a majority vote of the Township Board.
5. The budgets are adopted on the modified accrual basis of accounting.
6. The originally adopted budgets can be amended during the year only by a majority vote of the Township Board.
7. The adopted budgets are used as a management control device during the year for all budgetary funds.
8. Budget appropriations lapse at the end of each fiscal year.
9. The budgeted amounts shown in these general purpose financial statements are the originally adopted budgets with all amendments that were approved by the Township Board during the fiscal year.

Encumbrances

Encumbrances involving the current recognition of purchase orders, contracts, and other commitments for future expenditures are not recorded.

Accumulated Unpaid Benefits

Employees are not allowed to accumulate vacation and sick pay and therefore, no accumulated amount has been shown in the General Long-Term Debt Group of Accounts in accordance with Governmental Accounting Standards Board's Statement of Financial Accounting Standards No. 16 "Accounting for Compensated Absences."

TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS

NOTE 2 – CHANGES IN GENERAL FIXED ASSETS

A summary of changes in general fixed assets follows:

	Balance 4/1/03	Additions	Deletions	Balance 3/31/04
Land and land improvements	\$ 77,832	\$ 34,906	\$	\$ 112,738
Building	30,552			30,552
Equipment	10,518			10,518
Totals	<u>\$ 118,902</u>	<u>\$ 34,906</u>	<u>\$</u>	<u>\$ 153,808</u>

NOTE 3 – INTERFUND RECEIVABLES AND PAYABLES

The amounts of Interfund receivables and payables are as follows:

Fund	Interfund Receivable	Fund	Interfund Payable
General	<u>\$ 36</u>	Current Tax Collection	<u>\$ 36</u>

NOTE 4 – POSTEMPLOYMENT BENEFITS

The Township provides no post employment benefits to past employees.

NOTE 5 – RISK MANAGEMENT

The Township is exposed to various risks of loss related to property loss, torts, errors, omissions, and employee injuries (worker's compensation). The Township has purchased commercial insurance for property loss, torts, and worker's compensation claims. Settled claims relating to the commercial insurance have not exceed the amount of insurance coverage in any the past five fiscal years.

NOTE 6 – DEPOSITS

The Government Accounting Standards Board (GASB) Statement No. 3 risk disclosure for deposits at year end are as follows:

Deposits	Bank Balances
Insured FDIC	\$ 323,671
Uninsured	<u>15</u>
Total Deposits	<u>\$ 323,686</u>

At year end the balance sheet carrying amount of deposits was \$323,548.

**TOWNSHIP OF ORANGE
NOTES TO THE FINANCIAL STATEMENTS**

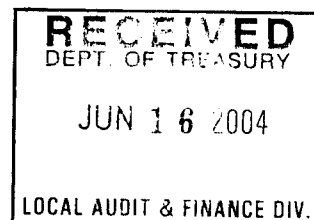
NOTE 7 – TOTAL – MEMORANDUM ONLY

The general purpose financial statements present total columns for the year ended March 31, 2004, which aggregate the columnar statements by fund type and account group. These columns are presented only for the comparative purposes and should not be construed as presenting consolidated financial information.

Supplementary Data Section

**TOWNSHIP OF ORANGE
CURRENT TAX COLLECTION FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
YEAR ENDED MARCH 31, 2004**

	Balance 4/1/03	Additions	Deductions	Balance 3/31/04
ASSETS				
Cash in bank	<u>\$ 54</u>	<u>\$ 532,600</u>	<u>\$ 532,618</u>	<u>\$ 36</u>
LIABILITIES				
Due to other funds	\$ 54	\$ 36,573	\$ 36,591	\$ 36
Due to other taxing units	<u> </u>	<u>496,027</u>	<u>496,027</u>	<u> </u>
Total Liabilities	<u>\$ 54</u>	<u>\$ 532,600</u>	<u>\$ 532,618</u>	<u>\$ 36</u>



May 14, 2004

To the Township Board
Township of Orange

In planning and performing our audit of the financial statements of the Township of Orange for the year ended March 31, 2004, we considered its internal control in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on internal control. However, we noted certain matters involving internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to deficiencies in the design or operation of internal control that, in our judgment, could adversely affect the Township of Orange's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

Our study and evaluation of internal control disclosed no conditions that we believe to be material weaknesses for which corrective action by management is practicable in the circumstances.

Recommendations

Budgeting

During our review of the budgeting procedures used by the township, it was noted the Township feels it must budget to use all revenue and reserves on an annual basis, whether or not that is the intention of the Township. In accordance with P.A. 621 of 1978, the Township is required to budget its revenues and expenditures annually. In doing this, the Township must determine the amount of revenues that will be available to pay for the anticipated expenditures. From time to time, the Township may budget more expenditures than anticipated revenues. That is when the Township would budget to use a portion of its beginning fund balance to make up the difference. The budget is meant to be a forecast of the upcoming fiscal year. Budgeting to use all of the resources at the Townships disposal, does not make the budget a valuable financial tool.

This report is intended solely for the information and use of the Township Board, management, and the Michigan Department of treasury and is not intended to be and should not be used by anyone other than these specified parties.

Harris Group
Certified Public Accountants